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Supreme Court, U.S.
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No. .....

IN THE

Supreme Court of the United States

OCTOBER TERM, 1987

ROBERT P. POPOVICH, JACK W. MONCRIEF, AND THE UNIVERSITY OF TEXAS SYSTEM,

Petitioners,

v.

THE UNITED STATES OF AMERICA,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

LOUIS T. PIRKEY
ARNOLD, WHITE & DURKEE
One American Center
600 Congress Avenue
Austin, Texas 78701
(512) 474-2583

Of Counsel:

MICHAEL T. MCLEMORE
ARNOLD, WHITE & DURKEE
400 One Bering Park
750 Bering Drive
Houston, Texas 77057
(713) 787-1400

QUESTIONS PRESENTED

The questions presented are:

1. Whether Sections 706 and 555 of the Administrative Procedure Act ("APA") may be used not only to compel, but also to nullify, unreasonably delayed agency action which causes a person to suffer injurious consequences.
2. Whether the decision of the Court of Appeals (based on its new interpretation of the APA) is contrary to Government patent policy which encourages an early determination of patent rights to stimulate innovation.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

Robert P. Popovich, Jack W. Moncrief ("the Inventors") and the University of Texas System ("UTS") petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Fifth Circuit entered in this action on June 26, 1987.

OPINIONS BELOW

The opinion of the Court of Appeals is reported at *United States v. Popovich*, 820 F.2d 134 (5th Cir. 1987) and appears in Appendix A hereto. The opinion of the District Court appears in Appendix B hereto.

BASIS OF JURISDICTION

The judgment of the Court of Appeals was entered on June 26, 1987. No petition for rehearing was filed. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1) (1966).

STATUTORY PROVISIONS INVOLVED

This case involves the Administrative Procedure Act (1946), 5 U.S.C. §§ 555 and 706 (1977) (the "APA"). The text of these provisions of the APA appears in Appendix C hereto.

STATEMENT OF THE CASE

This case involves a request by the Department of Health and Human Services ("HHS") for declaratory judgment that an invention made by the Inventors should have been reported by UTS to HHS pursuant to a patent rights clause in a National Institutes of Health ("NIH") contract.[1] The relief sought by HHS is a transfer of ownership of the patent for the invention to the United States and the imposition of a constructive trust on proceeds from licensing the patent.

The Inventors sought dismissal of HHS' action under Rule 12, Fed. R. Civ. P., requesting the District Court to bar HHS' action as an agency action unreasonably delayed pursuant to the

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[1] This contract is NIH Contract No. 1-AM-3-2205 awarded May 1973 to UT System, and to be referred herein as the "2205 contract". The contract expired September 30, 1975. The patent rights clause requires that an invention made in the course of or under the contract be reported to HHS and subject to its ownership.

APA. The District Court found that HHS' action was unreasonably delayed and prejudicial to Inventors. Summary judgment was entered for Inventors.

The Court of Appeals reversed the District Court based upon the inapplicability of the APA as a bar to unreasonably delayed agency action. In doing so, it overturned fifteen years of legal precedent.

As a result of the Court of Appeals' decision, the Inventors and UTS have been denied fair opportunity in the preparation of the defense to HHS' action; and HHS has been rewarded for pursuing dilatory tactics in a disputed matter presented to it.

In a broader sense, the Court of Appeals' decision has ominous implications for the development of new technologies and innovation. Uncertainty as to ownership of patent rights has a chilling effect on industry investment to develop and bring inventions to the public. If those who innovate do so contemporaneously with government agency-sponsored research, there is now the risk that years later, and after substantial personal and dollar investment in developing an innovation, patent rights ownership will still be subject to contest by the Government. Innovations under the specter of such risk will likely remain undeveloped and public enjoyment thereof lost. The decision is, therefore, contrary to Government patent policy. 35 U.S.C.A. § 200 (1984).

A. Factual Background

In June, 1975, Drs. Popovich and Moncrief conceived a medical treatment modality for use by patients suffering acute renal failure. Application for patent on this invention was made in March, 1977 at the Inventors' own expense, and U.S. Patent No. 4,239,041 ("the '041 patent") issued December 16, 1980. The invention is referred to as continuous ambulatory peritoneal dialysis, or "CAPD". CAPD has become the predominant form of home dialysis, with approximately 30,000 people presently undergoing the procedure, half of whom are in the United States.

The Vice President for Research at UTS was informed in 1977 of the invention. An attorney in the office of General Counsel of UT System made an independent investigation of ownership of the invention. He determined that the invention was owned by the Inventors.

An initial disclosure of CAPD to NIH[2] was made in late summer of 1975. Funding for clinical evaluation of CAPD was sought in 1976. By admission, NIH had received a full description of the invention by January, 1976. As of February, 1978, NIH was aware that Inventors disputed NIH's claim of ownership and that they had filed for patent as owners of CAPD. By May, 1978, NIH was further on notice of the basis for the Inventors' position that the invention did not come within the patent rights clause of the 2205 contract.

NIH, in March, 1978, complained to UTS that Inventors had failed to report the CAPD invention under the 2205 contract. NIH also threatened to terminate funding grants to Inventors. Between May and August of 1978, NIH pushed for a complete transfer of ownership of the invention. Inventors unequivocally refused to hand over ownership to NIH.

By its own admission, NIH then did nothing to pursue the matter for 21 months. NIH further admits that another 12 months passed before the NIH Patent Board acted, and then only to refer the matter to the Inspector General's Office for investigation. A report rendered March, 1982 (approximately seven years after the invention) on that investigation, recommended no further action.

Another 23 months elapsed before HHS finally made its "patent rights determination" and the Justice Department filed this action on February 29, 1984.

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[2] NIH is now a branch of HHS; NIH was formerly a branch of The Department of Health, Education and Welfare ("HEW").

B. The Decisions Below

The District Court. Inventors moved for summary judgment which was granted on their defense under the APA. The District Court held that "(d)ue to the unreasonable delay in the filing of this suit and the undue prejudice to the Defendant, Plaintiff's suit is barred by . . . § 706 of the Administrative Procedure Act (APA)."[Appendix B at B3]. The District Court accordingly entered judgment dismissing the complaint.

The Court of Appeals. The District Court's judgment was reversed and the case remanded. The Court of Appeals abrogated long-standing district court decisions and repudiated earlier decisions of the Fifth Circuit in order to reverse. Further, the Court of Appeals disagreed with dicta in the decisions of other Courts of Appeals on the question of whether the APA provides a basis to bar unreasonably delayed agency action.[3] The Court of Appeals' interpretation is that "the statute provides no authority for dismissing the action of the HHS." 820 F. 2d 138. [Appendix A at A9].

ARGUMENT

A. THE COURT OF APPEALS DEPARTED FROM THE CONGRESSIONAL MANDATE PREMISING THE ADMINISTRATIVE PROCEDURE ACT.

The Court of Appeals' decision holds that the APA does not allow courts to nullify as well as compel unreasonably delayed agency action. The Court of Appeals ignores the overriding consideration specifically set out in the statute that "within a reasonable time, each agency shall proceed to conclude a matter presented to it." 5 U.S.C. § 555(b) (1977). The legislative history of the APA reflects the belief of Congress that the Government should conduct itself so as to promptly resolve agency matters and thereby avoid prejudice to private citizens. H.R. Rep. No. 1980, 79th Cong., 2d Sess. (1946), *reprinted in* APA

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[3] *Houseton v. Nimmo*, 670 F. 2d 1375, 1377 (9th Cir. 1982); *EEOC v. Westinghouse Elec. Corp.*, 592 F. 2d 484 (8th Cir. 1979).

Legislative History, at 235, 264 (1947). This statute, 5 U.S.C. § 555(b) (1977), requires that "no agency shall in effect deny relief or fail to conclude a case by mere inaction, *or proceed in dilatory fashion to the injury of the persons concerned. No agency should permit any person to suffer injurious consequences of unwarranted official delay.*" (emphasis added)

Congress recognized the importance of having agency determinations which affect citizens concluded within a reasonable time of the occurrence of the matter involved. In this way disputed issues can be decided at a time when the necessary witnesses, documents, and other evidence are still available. At the same time, the witnesses are better able to testify concerning the facts involved because their memories have not been dimmed by the passage of time. To do otherwise, an agency places a citizen at risk of suffering injurious consequences.

Judicial application of the APA by the courts in a manner consistent with Congress' intent has resulted in the interpretation that unreasonably delayed agency action can be nullified as well as compelled. Nullification of agency action can, as in the present case, support dismissal of a civil action brought by the Government based upon that agency action.[4] The Court of Appeals' view that Congress intended court review under the APA to be restricted to compelling agency action is belied by the provisions of 5 U.S.C. § 706(2) which empower a court to "hold unlawful and set aside agency action . . . ." The Court of Appeals' decision fails to comprehend the breadth of court review Congress intended to be provided under the APA.

The Court of Appeals also erroneously views the District Court's review of HHS' action in this case to have been based upon incorporation of the equitable doctrine of laches into the APA.[5] Yet, the District Court's decision shows the basis for dismissal be on the established judicial interpretation of the

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[4] *See EEOC v. Moore Group, Inc.*, 416 F. Supp. 1002, 1004 n. 3. (N.D. Ga. 1976).

[5] *See U.S. v. Popovich*, 820 F. 2d at 136.

APA. This should have been clear from the District Court's reliance on *EEOC v. Bell Helicopter Co.*, 426 F. Supp. 785 (N.D. Tex. 1976) which adopts the statutory construction set forth by the *Moore Group* court.

Without review of the Court of Appeals' decision by this Court, the departure below from established judicial construction of the APA will stand as an erroneous signal to other courts that Government agencies cannot be held accountable for dilatory action regardless of the injury inflicted upon citizens. Such is not what Congress intended when it enacted the APA.

B. THE COURT OF APPEALS' DECISION IS CONTRARY TO CURRENT GOVERNMENT PATENT POLICY AND WILL INHIBIT THE DEVELOPMENT OF NEW TECHNOLOGIES AND INNOVATION.

In 1980, Congress amended the Patent Laws, Title 35, United States Code.[6] These amendments, added, *inter alia*, Sections 200 through 211. As set forth in 35 U.S.C.A. § 200 (1984), "It is the policy and objective of the Congress to use the patent system . . . to promote the commercialization and public availability of inventions made in the United States by United States industry and labor . . ." The new laws put particular focus on inventions arising from federally supported research and development. Section 200 of the statute now permits a contractor to elect to retain title to a "subject invention."[7]

The legislative history reflects the intent of Congress to eliminate delays in patent rights determinations, thereby stimulating innovation toward commercialization of technology. *See* Legislative History of Pub. L. No. 96-517, *reprinted in* 1980 U.S. Code Cong. & Admin. News 6464:

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[6] Pub. L. Nos. 96-472 to 96-522, 96th Cong., 2d Sess. (1980).

[7] A "subject invention" is defined in Section 201(e) to mean any invention conceived or first actually reduced to practice in the performance of work under a funding agreement from the Government.

Section 6 of H.R. 6933 provides for a uniform policy governing the disposition of patent rights in government funded research. This would replace the 26 different agency policies now in effect. There are two patent policies provided in this section. Non-profit research institutions and small businesses are given preferential treatment. The legislation establishes a presumption that ownership of all patent rights in government funded research will vest in any contractor who is a non-profit research institution or a small business. This portion of H.R. 6933 substantially incorporates legislation separately introduced, H.R. 2414(S. 414), entitled the University, Small Business Patent Policy Act.

Large businesses are governed by a separate policy. They receive exclusive licenses for specific uses they intend to commercialize. As with small business and universities, here too the presumption lies with the granting of exclusive rights to the contractor . . .

From a contractor point of view, the amendment offers many of the advantages of patent ownership, including full title abroad and the right to sublicense domestically.

From an innovation point of view, the requirement that exclusive licenses be limited to specified fields of use that the contractor intends to commercialize *should prevent sitting on technology, and spur innovation.*

Some contractors, particularly in the defense area, will lose some rights which they presently receive through full waiver. However, the overwhelming number of *contractors will receive faster, more efficient treatment under these provisions. For example, delays in acting on patent right waiver requests, which now take on the average a year and a half in agencies* like the Department of Energy, *will be eliminated. Contractors will know their rights with certainty* within 90 days of identifying a specific field of use under a patent to a government financed invention. (emphasis added)

Thus, current Government patent policy favors prompt disposition of patent rights in recognition of their influence on technology development.

Contrary to this Government patent policy objective, the Court of Appeals' interpretation of the APA promotes agency delay in the disposition of patent rights. Under the Court of

Appeals' view, there is no reason for an agency to proceed expeditiously in resolving a dispute concerning whether a "subject invention" exists.[8] The agency can expect that stalling for years will increase its prospects for getting its way, either by hampering an inventor's defense or wearing away his resolve to persist in keeping what he created. Meanwhile, the agency can wait to see if its expectation reaches fruition knowing that it cannot be held accountable by the courts for any dilatory conduct regardless of what resulting injury is inflicted on the inventor.

From the bleak picture painted by *Popovich*, technology innovators will find ample reason not to pursue their privately-funded innovations. The fact that years later they can be made to defend their patent rights against a claim by the Government creates too much uncertainty. Many innovations will remain undeveloped. The policy objectives of spurring innovation and encouraging innovators not to sit on technology will be thwarted. Indeed, a decade ago when Popovich and Moncrief began their ordeal with HHS, had they had a "crystal ball" view of what lay ahead for them, there would have been every reason to place CAPD on the shelf to gather dust. The innovation used by thousands of kidney-dialysis patients at cost savings in the millions of dollars to Respondent might have been lost.

Interpretation of the APA to permit a reviewing court to nullify an unreasonably delayed agency action concerning ownership of patent rights is necessary to compel agencies to act promptly. Only by affording such a defense can the desired certainty in patent rights be realized and Government patent policy carried out.

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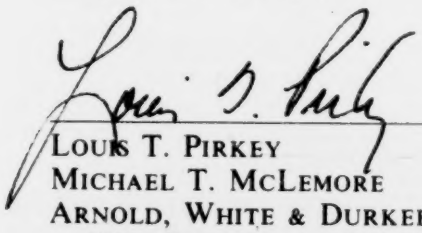
[8] If the invention is not a "subject invention" within the meaning of 35 U.S.C.A. § 201(e) (1984), patent rights remain vested with the inventor.

CONCLUSION

Petitioners request respectfully that a writ of certiorari issue to review the judgment of the Court of Appeals for the Fifth Circuit.

Respectfully submitted,



LOUIS T. PIRKEY
MICHAEL T. MCLEMORE
ARNOLD, WHITE & DURKEE
2300 One American Center
600 Congress Avenue
Austin, Texas 78701
(512) 474-2583

Attorneys for Petitioners,
Robert P. Popovich,
Jack W. Moncrief,
The University of Texas System

APPENDIX A

UNITED STATES OF AMERICA,
Plaintiff-Appellant,

v.

ROBERT P. POPOVICH, JACK W. MONCRIEF, AND THE UNIVERSITY OF TEXAS SYSTEM,
Defendants-Appellees.

No. 86-1686

UNITED STATES COURT OF APPEALS,
FIFTH CIRCUIT.

June 26, 1987.

The United States filed declaratory action against coinvestigators on government research contract and against university system which had been awarded the contract, seeking declaration that the United States was entitled to patent issued to coinvestigators. The United States District Court, Western District of Texas, James R. Nowlin, J., granted judgment in favor of coinvestigators and university system. The United States appealed. The Court of Appeals, Politz, Circuit Judge, held that: (1) coinvestigators could not assert defense of laches against the United States; (2) the Administrative Procedure Act did not grant the district court authority to dismiss action upon finding of unreasonable delay causing prejudice; and (3) conduct of coinvestigators could form basis for breach of contract claim against university system.

Reversed and remanded.

1. United States — Key 133

Coinvestigators on research contract, which was granted by the Department of Health, Education, and Welfare for intensive research into peritoneal dialysis, could not assert defense of laches against the United States in action which sought declaration that the United States was entitled to patent issued to coinvestigators for method of continuous peritoneal dialysis treatment developed by the coinvestigators during term of contract; laches may not be asserted as defense against the United

States when the United States is acting in its sovereign capacity to enforce public right or protect the public interest.

2. Federal Civil Procedure — Key 1760

Administrative Procedure Act grants authority to reviewing courts to compel agency action unreasonably delayed, but does not grant courts authority to dismiss actions brought by agencies upon finding of unreasonable delay causing prejudice; therefore, action seeking determination that the United States was entitled to patent for method of continuous peritoneal dialysis, issued to coinvestigators on government contract, which called for intensive research into peritoneal dialysis, could not be dismissed on grounds that the lengthy delay in bringing action caused prejudice to coinvestigators; abrogating *EEOC* v. *Bell Helicopter Co.*, 426 F.Supp. 785 (N.D.Tex.); *EEOC* v. *Moore Group, Inc.*, 416 F.Supp. 1002 (N.D.Ga.); repudiating *Chromcraft Corp.* v. *EEOC*, 465 F.2d 745 (5th Cir.); *EEOC* v. *Exchange Security Bank*, 529 F.2d 1214 (5th Cir.); *Jones* v. *Bell Helicopter Co.*, 614 F.2d 1389 (5th Cir.); disagreeing with *Houseton* v. *Nimmo*, 670 F.2d 1375 (9th Cir.). 5 U.S.C.A. §§ 555(b), 706.

3. United States — Key 73(22)

Conduct of coinvestigators on government research contract, which was granted to university system, in securing and refusing to assign to the United States a patent for method of continuous peritoneal dialysis treatment developed by coinvestigators during term of contract could form basis for breach of contract claim against the university system; use of grant funds was subject to the university system's control. Fed.Rules Civ.Proc.Rule 12(b)(6), 28 U.S.C.A.

Thomas J. Byrnes, Commercial Lit. Br., Civ. Div., U.S. Dept. of Justice, Washington, D.C., Helen M. Eversberg, U.S. Atty., San Antonio, Tex., for plaintiff-appellant.

Louis T. Pirkey, Arnold, White & Durkee, Michael T. McLemore, Austin, Tex., for defendants-appellees.

Appeal from the United States District Court for the Western District of Texas.

Before POLITZ, JOLLY and
HIGGINBOTHAM, Circuit Judges.

POLITZ, Circuit Judge:

The United States filed a declaratory action against Robert P. Popovich, Jack W. Moncrief, and the University of Texas System (UTS), seeking a declaration that it is entitled to a certain patent issued to Popovich and Moncrief and the imposition of a constructive trust on all funds derived from the patent. The district court granted judgment in favor of Popovich and Moncrief, finding that the claims of the United States were barred by the doctrine of laches and by the Administrative Procedure Act (APA). The demands against UTS were dismissed under Fed.R.Civ.P. 12(b)(6) for failure to state a claim upon which relief could be granted. We reverse and remand.

Background

In 1973 the Department of Health, Education, and Welfare, now Health and Human Services (HHS), awarded UTS a research contract. Popovich, an assistant professor of chemical and biomedical engineering at the University of Texas at Austin, was named the principal investigator, and Moncrief, a physician in the private practice of nephrology and not connected with UTS, was the co-investigator of the research. The contract called for intensive research into peritoneal dialysis.

In peritoneal dialysis, the blood of patients with renal insufficiency is cleansed of toxins by the infusion of a solution directly into the abdominal cavity, for interaction with the blood supply across the peritoneal membrane. Traditional hemodialysis requires removal of the blood for cleansing, a process which is more traumatic and far more expensive. The grant called for the development of mathematical models, in order "to obtain a fundamental understanding of the mass transfer-molecular

weight characteristics of peritoneal dialysis," and "to optimize peritoneal dialysis dosage cycles and schedules."

The contract is not of record but there is no dispute that it contains a standard clause for contracts of this type, requiring the grantee to notify HHS when an invention is "made in the course of or under" the contract, and making rights in all such inventions subject to government ownership and disposition. Current HHS regulations similarly provide. *See* 45 C.F.R. § 8 (1986).

During the term of the contract, Popovich and Moncrief developed a new medical treatment modality for patients suffering acute renal failure, which they called Continuous Ambulatory Peritoneal Dialysis (CAPD). CAPD is distinct from earlier methods of peritoneal dialysis in that it is continuous rather than intermittent, and permits a patient to perform normal activities during treatment. Reportedly, CAPD has become the dominant form of home dialysis, serving approximately 30,000 patients.

Popovich and Moncrief maintain that CAPD was conceived in June 1975, that they disclosed their invention to the HHS contract officer a few months later, and that CAPD is not an invention subject to the provisions of the HHS-UTS contract. In March 1977 a patent was applied for, and in December 1980 patent number 4,239,041 issued to Popovich and Moncrief.

In February 1978 HHS became aware of the pending patent application. During the next six years there were government-initiated investigations, intermittent communications, and unsuccessful settlement efforts, separated by extended periods of inaction by HHS. In February 1984, the instant suit was filed. HHS sought a declaration that the invention was made under the research contract, that it belonged to the United States, and that the government was entitled to an accounting of and a constructive trust over all funds generated by the patent.

Popovich and Moncrief sought summary judgment dismissal because of the delay; UTS sought Fed.R.Civ.P. 12(b)(1) and 12(b)(6) dismissal for lack of jurisdiction and because the claim

failed to state a cause of action, The district court granted the summary judgment, finding the government's delay in filing suit unreasonable because of the time that had elapsed between the disclosure of the invention and the filing of suit, including more than three years after the patent holders' rejection of any settlement. The court assigned no reasons for granting the UTS motion to dismiss under Fed.R.Civ.P. 12(b)(6).

ANALYSIS

Laches

[1] The issue of laches is controlled by a decision of this court apparently overlooked by the district court. In fine, laches may not be asserted as a defense against the United States when it is acting in its sovereign capacity to enforce a public right or protect the public interest. *United States* v. *Arrow Transp. Co.*, 658 F.2d 392 (5th Cir.1981), *cert. denied*, 456 U.S. 915, 102 S.Ct. 1769, 72 L.Ed.2d 174 (1982). Relying on *United States* v. *Summerlin*, 310 U.S. 414, 416-17, 60 S.Ct. 1019, 1020-21, 84 L.Ed. 1283, 1285-86 (1940), and *United States* v. *Thompson*, 98 U.S. (8 Otto) 486, 488-91, 25 L.Ed. 194, 195 (1878), the panel in *Arrow* reversed the district court's attempt to "mold a change" in the doctrine. *Arrow* at 394. Circuit precedent clearly establishes that "laches is unavailable as a defense against the United States in enforcing a public right." *Id.* at 395[1]

The holding in *Arrow* binds the disposition of this panel, as it bound the trial court. Appellees' attempt to rely on other authority to buttress the application of laches is not persuasive. Prior decisions have recognized laches against the government, but only against the Equal Employment Opportunity Commission in suits filed to recover sums allegedly due to individuals, not the treasury. *See, e.g., Occidental Life Insurance Co.* v. *EEOC*, 432 U.S. 355, 97 S.Ct. 2447, 53 L.Ed.2d 402 (1977); *Arrow; EEOC* v. *Griffin Wheel Co.*, 511 F.2d 456 (5th Cir.1975); *EEOC* v.

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[1] *But see S.E.R., Jobs for Progress, Inc.* v. *United States*, 759 F.2d 1 (Fed.Cir.1985).

Bell Helicopter, 426 F.Supp. 785, 793 (N.D.Tex.1976). In *Occidental Life Insurance Co.*, the Supreme Court resolved prior confusion, recognizing the application of laches in Title VII cases brought by the EEOC.

Administrative Procedure Act

[2] The summary judgment dismissal also refers to section 706 of the Administrative Procedure Act, 5 U.S.C. § 706. Entitled "Scope of review," that section provides in pertinent part:

> The reviewing court shall—
>
> (1) compel agency action unlawfully withheld or unreasonably delayed; and
>
> (2) hold unlawful and set aside agency action, findings, and conclusions found to be—
>
> * * * * * *
>
> (D) without observance of procedure required by law;
>
> * * * * * *

"Agency action," as used in section 706, "includes the whole or a part of an agency rule, order, license, sanction, relief, or the equivalent or denial thereof, or failure to act." 5 U.S.C. § 551(13). In addition, 5 U.S.C. § 555(b) provides that:

> A person compelled to appear in person before an agency or representative thereof is entitled to be accompanied, represented, and advised by counsel or, if permitted by the agency, by other qualified representative. A party is entitled to appear in person or by or with counsel or other duly qualified representative in an agency proceeding. So far as the orderly conduct of public business permits, an interested person may appear before an agency or its responsible employees for the presentation, adjustment, or determination of an issue, request, or controversy in a proceeding, whether interlocutory, summary, or otherwise, or in connection with an agency function. *With due regard for the*

> *convenience and necessity of the parties or their representatives and within a reasonable time, each agency shall proceed to conclude a matter presented to it.* This subsection does not grant or deny a person who is not a lawyer the right to appear for or represent others before an agency or in an agency proceeding.

(Emphasis added.) We reach the same conclusion as our colleagues of the District of Columbia Circuit, that these sections define the duty of courts to compel an agency to act where it has failed or refused to act, or has unreasonably delayed acting, in disregard of its congressional mandate. *See Nader* v. *FCC*, 520 F.2d 182 (D.C.Cir.1975).

We note that the court *a quo* is not alone in reading these sections as authority for the dismissal of actions brought by an agency, upon a finding of unreasonable delay causing prejudice to the defendant. *See, e.g., EEOC* v. *Bell Helicopter Co.*, 426 F.Supp. 785 (N.D.Tex.1976); *EEOC* v. *Moore Group, Inc.*, 416 F.Supp. 1002 (N.D. Ga.1976). Recognizing that our prior decisions apparently have led to some uncertainty, we briefly revisit them.

In *Chromcraft Corp.* v. *EEOC*, 465 F.2d 745 (5th Cir.1972), we made passing reference to the availability of the APA as a defense:

> Section 706 *limits* judicial review of agency action and, in the absence of some other limitations provision, empowers federal courts only to "compel agency action unlawfully withheld or unreasonably delayed." Here the employer seeks a nullification of the agency action, not a court order compelling such action.

Id. at 747 (emphasis in original). In dictum the panel suggested that, even if it were available, a section 706 defense would not apply because the delay was not unreasonable and there was no showing of prejudice. *Id.* Although it expressly rejected the availability of the defense, as subsequent cases reflect the *Chromcraft* court inadvertently sowed the seed for its later use.

In *EEOC* v. *Exchange Security Bank*, 529 F.2d 1214 (5th Cir.1976), another panel, citing *Chromcraft*, reversed the district court's refusal to enforce a stale investigative subpoena, impliedly recognizing the existence of a section 706 defense. We remanded for consideration of whether the delay was prejudicial, and later affirmed, by memorandum opinion, the district court's finding of prejudice. *EEOC* v. *First Alabama Bank of Birmingham*, 440 F.Supp. 1381 (N.D.Ala. 1977), *aff'd mem.*, 611 F.2d 132 (5th Cir.1980).

Meanwhile, in *EEOC* v. *Moore Group, Inc.*, 416 F.Supp. 1002 (N.D.Ga.1976), another district court concluded that although the defense of laches was not available, the APA applied, stating:

> In *EEOC* v. *Exchange Security Bank*, [529 F.2d] at 1217, the Fifth Circuit seems to have resolved its uneasiness concerning the use of § 706 as a defense to lengthy delays in EEOC actions by holding that the requirements of § 706 "established by *Chromcraft* must be applied by this Court in considering the effect of delay uncontrolled by statutory time limitations."

Moore Group, Inc., 416 F.Supp. at 1004. The court dismissed, concluding that the same elements applied under the section 706 defense as under laches. *Id.* at 1005.

In *Bell Helicopter* the district court cited *Chromcraft* and *Exchange Security Bank* in dismissing a stale claim under sections 555(b) and 706. When the claimant later filed suit on his own behalf, the district court dismissed on the basis of *res judicata*. We affirmed that dismissal. *Jones* v. *Bell Helicopter Co.*, 614 F.2d 1389 (5th Cir.1980).

As recently as 1985 we cited *Chromcraft* and *Exchange Security Bank* in rejecting a section 706 defense for failure to show prejudice, but we again reserved the issue of its applicability:

> [Appellant] urges this Court to invoke its review powers under 5 U.S.C. § 706 to set aside the Board's action as unreasonably delayed. Assuming that section 706 "creates

> mandatory duties on administrative agencies sufficient to set aside agency action as unlawful if 'unreasonably delayed,' § 706 further requires . . . a showing of prejudice before agency action can be set aside for its lack of punctuality."

King v. *National Transp. Safety Board*, 766 F.2d 200, 202 (5th Cir.1985) (*quoting Chromcraft*).[2] Today we squarely face whether sections 706 and 555 of the APA may be used not only to compel but also to bar agency action unreasonably delayed. We conclude that the plain language of the statute provides no authority for dismissing the action of the HHS. This interpretation is buttressed by the congressional intent reflected in the legislative history of the APA.[3]

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[2] Cases from the Eighth and Ninth circuits also provide little guidance. *See Houseton* v. *Nimo*, 670 F.2d 1375, 1377 (9th Cir.1982) (*citing Exchange Security Bank*) (APA allows courts to dismiss as well as compel unreasonably delayed agency action), *EEOC* v. *Westinghouse Electric Corp.*, 592 F.2d 484 (8th Cir.1979) (courts have equitable powers to dismiss where there has been inordinate delay by EEOC; no need to consider whether these powers derive from laches or the APA); *EEOC* v. *Liberty Loan Corp.*, 584 F.2d 853, 856 (8th Cir.1978) (reserving APA issue; affirming dismissal based on laches).

Significantly, each of these cases involves the EEOC. We are aware of only one case involving another agency. *Estate of French* v. *FERC*, 603 F.2d 1158 (5th Cir.1979).

[3] The legislative history reflects the intent of Congress to empower the courts to compel unreasonably delayed agency action. There is no mention of an affirmative bar found there. *See* S.Rep. No. 572, 79th Cong., 1st Sess., *reprinted in* Administrative Procedure Act Legislative History, at 187, 214 (1947) (Section 706 "expressly recognizes the right of properly interested parties to compel agencies to act where they improvidently refuse to act."); H.R.Rep. No. 1980, 79th Cong., 2d Sess., *reprinted in* Administrative Procedure Act Legislative History, at 235, 264 (1947) (Section 555(b) requires that "no agency shall in effect deny relief or fail to conclude a case by mere inaction, or proceed in dilatory fashion to the injury of the persons concerned. No agency should permit any person to suffer injurious consequences of unwarranted official delay.") *See also* 92 Cong.Rec. H5657 (statement of Rep. Springer), *reprinted in* Administrative Procedure Act Legislative History, at 295, 377 (1947) ("In many of those cases there has

We conclude and hold that these sections of the APA grant authority to the courts to compel agency action unreasonably delayed, but do not incorporate the equitable doctrine of laches into judicial review of the timeliness of actions brought by an agency in pursuit of its responsibilities.[4]

Dismissal of UTS

[3] The complaint seeks a declaration that the contract with UTS was breached when Popovich and Moncrief secured a patent and refused to assign it to the United States. UTS was a party to the contract. Use of the grant funds was subject to its control. Without expressing any opinion as to the validity of any claim on the merits, it is manifest that the demands against UTS should not have been dismissed under Fed.R.Civ.P. 12(b)(6). The complaint does state a cause of action against UTS.

REVERSED AND REMANDED.

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been a withholding or a long delay, and [section 706] is intended to hasten action on the part of these agencies.")

[4] In reaching this conclusion we are mindful that Congress has established what it considered to be a reasonable period for the United States to bring an action to enforce contracts. 28 U.S.C. §§ 2415, 2416. In referring to this statute of limitations we make no suggestion as to either its applicability or application in the instant case, referring that matter first to the district court, should it be raised on remand.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

UNITED STATES OF AMERICA

vs.

ROBERT P. POPOVICH,
JACK W. MONCRIEF, and
THE UNIVERSITY OF TEXAS
SYSTEM

CIVIL NO. A-84-CA-98

AMENDED JUDGMENT

There is now before the Court the "Motion to Dismiss Complaint and/or for Summary Judgment" filed by Defendants Dr. Robert P. Popovich and Dr. Jack W. Moncrief. After considering briefs and supplemental briefs submitted by both Plaintiff and Defendants, the Court grants the Motion for Summary Judgment.

FINDINGS OF FACT

In May 1973, Plaintiff awarded the University of Texas a contract for the study of "Physiological Transport Parameters in Patients in Peritoneal and Hemodialysis," naming Defendant Popovich as the principal investigator under the contract. By mid-1975, Defendant Popovich had discussed the essential concept underlying continuous ambulatory peritoneal dialysis ("CAPD") with Dr. Fernando Villarrael, Plaintiff National Institute of Health's ("NIH") contract officer. This discussion occurred at the conclusion of a site visit to the Austin Diagnostic Clinic, where Popovich had been retained as a consultant.

In mid-1976, Popovich published a written description of CAPD in NIH's 9th Annual Contractors' Conference Proceedings, as suggested by Villarreal. At that time, Dr. Popovich and Dr. Villarreal discussed the possibility of funding clinical evaluation of CAPD; another contract resulted. The affidavit of

Leroy B. Randall states that Dr. Popovich "described" the CAPD at the NIH's 9th Annual Contractors' Conference in January of 1976. According to additional evidence, Popovich apparently submitted a progress report on the CAPD that was included in the Proceedings from the NIH 9th Annual Conference, but did not make an oral presentation. Popovich delivered an oral presentation of CAPD at NIH's 10th Annual Contractor's Conference in January of 1977.

In March, 1977, Popovich filed for patent on the CAPD invention. In February of 1978, NIH became aware of the patent application. At this time the government questioned the ownership of the invention and Popovich's patent attorney notified NIH's patent attorney. In April of 1978, Popovich and Moncrief, at the request of the Plaintiff, submitted a written statement regarding the inventor's position that the government had no ownership interest in CAPD. As a result of this statement, all parties met to discuss the ownership and disposition of rights in the CAPD invention. In July 1978, Defendants offered a license under the CAPD patent application to NIH. In August 1978, NIH replied asking for an assignment of rights in CAPD, not just a license. Defendants refused. NIH next contacted Defendants in February 1979, attempting to continue the discussion of the ownership rights of CAPD.

NIH did not contact the Defendants again for over 20 months when NIH sent a letter to Dr. Popovich in October 1980 regarding the assignment of rights of the CAPD to the government. Defendants again refused.

In March, 1982, an investigative attorney from NIH interviewed Defendants concerning whether fraud, giving rise to a criminal action, had been committed. The NIH attorney submitted a report and concluded that there was no actionable criminal activity, but that a civil action may be warranted. The NIH Patent Board referred this case to the Department of Justice for possible civil action in June of 1982 and formally requested action in March, 1983. This suit was filed in February 1984.

CONCLUSIONS OF LAW

Due to the unreasonable delay in the filing of this suit and the undue prejudice to the Defendant, Plaintiff's suit is barred by the equitable doctrine of laches and § 706 of the Administrative Procedure Act (APA).

1. Laches.

Laches is an equitable doctrine designed to prevent unfairness to a Defendant due to a Plaintiff's delay in filing suit in the absence of an appropriate statute of limitations. *E.E.O.C.* v. *Dresser Industries, Inc.*, 668 F.2d 1199 (11th Cir. 1982). Plaintiff claims that it is well settled law that the United States is not subject to the defense of laches when it is enforcing rights on behalf of the public and cites the cases collected in *Chromcraft Corp.* v. *E.E.O.C.*, 465 F.2d 745, 746 n.2 (5th Cir. 1972). This statement in *Chromcraft* is only unnecessary dictum. The district court did not decide the case on the basis of laches; however the Fifth Circuit decided to comment on the doctrine. Two subsequent Fifth Circuit cases implicitly overruled *Chromcraft's* dicta which had indicated that laches was unavailable in a suit to enforce public rights. *United States* v. *Georgia Power Co.*, 474 F.2d 906 (5th Cir. 1973) and *E.E.O.C.* v. *Griffin Wheel Co.*, 511 F.2d 456 (5th Cir. 1975). But again, the issue of laches was not before the court in either case so the laches issue remained in judicial quagmire until the Supreme Court decision of *Occidental Life Insurance Co.* v. *E.E.O.C.*, 432 U.S. 355, 97 S.Ct. 2447, 53 L. Ed. 2d 402 (1977). In *Occidental Life* the Court suggested that federal courts exercise their discretionary power "to locate a just result in light of the circumstances peculiar to the case" in the event of an unexcused delay by a governmental agency. *E.E.O.C.* v. *Dresser Industries, Inc.*, 668 F.2d at 1202, *citing Occidental Life*, 42 U.S. at 374. If such cases arise, the federal courts do not lack the power to provide relief. *Id.*

A two-prong test must be satisfied in a laches defense. First, the court must find that the Plaintiff delayed inexcusably in

bringing the suit. Second, this delay unduly prejudiced Defendants. *Bernard* v. *Gulf Oil Co.*, 596 F.2d 1249, 1256 (5th Cir. 1979), *rehearing en banc*, 619 F.2d 459 (1980), *aff'd*, 452 U.S. 89, 101 S. Ct. 2193, 678 L. Ed. 2d 693 (1981).

The court finds that the first prong of the laches test has been satisfied due to the inordinate amount of time between Plaintiff's notice of the CAPD invention and the filing of the suit. The government had knowledge of the CAPD as early as Fall 1975 when an NIH contract officer was told of the invention. Defendant also described the invention at an NIH contractors conference in January of 1976. This suit was not filed until nine years later. NIH had additional knowledge in February of 1978 that a patent application on CAPD had been filed and that Defendants claimed ownership.

As an excuse for the delay in filing the suit, Plaintiff argues that there had been ongoing settlement negotiations in hope of avoiding litigation. In *E.E.O.C.* v. *Bell Helicopter*, 426 F. Supp. 785, 793 (N.D.Tex. 1976), the Court refused the argument that the delay must occur after the failure of conciliation. "So long as the delay is unreasonable and prejudicial, it does not matter what state of the administrative proceedings the delay occurred." *Id.* Regardless, the government knew by October of 1980 that Defendants were not going to assign any rights relating to CAPD to the government. Beginning in 1978, three letters were written by the Plaintiff requesting further negotiations and assignment of CAPD with Defendants. This action was not filed until February of 1984. The Court finds that this delay is unreasonable as a matter of law.

Second, the unreasonable delay unduly prejudiced the defense of this claim. The mere fact that the suit could have been filed 6-9 years ago puts an unreasonable burden on the Defendants. With the passing of such a length of time, witnesses memories

fade, records and files are lost, and the identification and availability of witnesses are diminished.[1]

Further, Plaintiff gave no notice that a lawsuit would be filed as a result of the discussions surrounding the CAPD invention. The only threat was a loss of funding in other NIH contracts. In *E.E.O.C.* v. *Moore Group, Inc.*, 416 F. Supp. 1002, 1005 (N.D.Ga. 1976), the court stated it "believes that in delaying the commencement of an action without giving the Defendant any indication of its intent concerning the matter, the E.E.O.C. runs the risk of prejudicing the Defendant in the preparation of its case." The Defendants never had notice of an intent to file suit, and had received additional information that NIH's Inspector General's Office would take no further action for criminal charges on the CAPD matter two years before this action was filed. Therefore, Defendants' preparation for this suit has been greatly impaired by misleading information and by failure to give notice, thus unduly prejudicing the Defendants.

2. Administrative Procedure Act.

In addition to the defense of laches, this Court has statutory authority under the Administrative Procedure Act, 5 U.S.C. § 706 (1972), to dismiss an action in which prejudice to the Defendant has been created by unreasonable delay on the part of NIH. In *Bell Helicopter*, the court found that:

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[1] The government argues that physical unavailability of witnesses must be shown to demonstrate prejudice. In *Bernard* v. *Gulf Oil Co.*, 596 F.2d 1249 (5th Cir. 1979), the Court citing *Akers* v. *State Marine lines, Inc.*, 344 F.2d 217, 221 (5th Cir. 1965), states: "The fact that there have been personnel changes or that employees have retired is irrelevant unless those employees are unavailable." 596 F.2d at 1257. However, in *E.E.O.C.* v. *Moore Group, Inc.*, 416 F. Supp. 1002, 1005 (N.D.Ga. 1976), prejudice would be contested absent a showing that witnesses could not be located without unreasonable effort. The Plaintiff subsequently points out the availability of one employee who could testify as to the specific circumstances. However, the Court found that "the availability of one witness, . . . will not compensate for absent witnesses for the Defendant whose whereabouts are unknown." *id.*

> "The doctrine of laches is entirely overlapped, . . . by the Administrative Procedure Act, 5 U.S.C. § 706. The Administrative Procedure Act allows much of the same relief as does the doctrine of laches, but it is statutory, and does not require considerations of public policy or bad faith. It's availability and application is, therefore, even broader than that of laches, and there is not real need for the more narrowly applicable remedy."

426 F. Supp. at 790.

Previously, the Fifth Circuit indirectly approved the use of the Administrative Procedure Act § 706 as grounds for dismissal in a District Court opinion which rejected the use of laches. *Jones* v. *Bell Helicopter,* 614 F.2d 1389 (5th Cir. 1980); *E.E.O.C.* v. *Bell Helicopter,* 426 F. Supp. 785 (N.D.Tex. 1976). The *Occidental* case has since superseded any true concern over the applicability of laches. Thus, the Fifth Circuit's reliance on APA § 706 was based in part on what it perceived as a pre-*Occidental* inability to rely on the doctrine of laches. *E.E.O.C.* v. *Dresser Industries, Inc.,* 668 F.2d 1199, 1202 (11th Cir. 1982).

The factual elements which must be shown by a Defendant for dismissal under the Administrative Procedure Act are a delay in action on the part of the agency which is unreasonable and a showing of prejudice to the Defendant occasioned by the agency's delay. *Chromcraft Corp.* v. *E.E.O.C.,* 465 F.2d 745 (5th cir. 1972).

As discussed above, nine years is an unreasonable length of time to file a claim against Defendants Popovich and Moncrief and is prejudicial to the preparation of their defense.

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ACCORDINGLY, the Court ORDERS that the Motion for Summary Judgment be granted for Defendants Popovich and Moncrief and that all claims and relief sought by the government in this action be barred by the equitable doctrine of laches and the Administrative Procedure Act of § 706.

SIGNED and ENTERED this 7th day of May, 1986.

JAMES R. NOWLIN
UNITED STATES
DISTRICT JUDGE

APPENDIX C

5 U.S.C. § 555. Ancillary matters

(a) This section applies, according to the provisions thereof, except as otherwise provided by this subchapter.

(b) A person compelled to appear in person before an agency or representative thereof is entitled to be accompanied, represented, and advised by counsel or, if permitted by the agency, by other qualified representative. A party is entitled to appear in person or by or with counsel or other duly qualified representatives in an agency proceeding. So far as the orderly conduct of public business permits, an interested person may appear before an agency or its responsible employees for the presentation, adjustment, or determination of an issue, request, or controversy in a proceeding, whether intelocutory, summary, or otherwise, or in connection with an agency function. With due regard for the convenience and necessity of the parties or their representatives and within a reasonable time, each agency shall proceed to conclude a matter presented to it. This subsection does not grant or deny a person who is not a lawyer the right to appear for or represent others before an agency or in an agency proceeding.

(c) Process, requirement of a report, inspection, or other investigative act or demand may not be issued, made, or enforced except as authorized by law. A person compelled to submit data or evidence is entitled to retain or, on payment of lawfully prescribed costs, procure a copy or transcript thereof, except that in a nonpublic investigatory proceeding the witness may for good cause be limited to inspection of the official transcript of his testimony.

(d) Agency subpenas authorized by law shall be issued to a party on request and, when required by rules of procedure, on a statement or showing of general relevance and reasonable scope of the evidence sought. On contest, the court shall sustain the subpena or similar process or demand to the extent that it is

found to be in accordance with law. In a proceeding for enforcement, the court shall issue an order requiring the appearance of the witness or the production of the evidence or data within a reasonable time under penalty of punishment for contempt in case of contumacious failure to comply.

(e) Prompt notice shall be given of the denial in whole or in part of a written application, petition, or other request of an interested person made in connection with any agency proceeding. Except in affirming a prior denial or when the denial is self-explanatory, the notice shall be accompanied by a brief statement of the grounds for denial.

Pub.L. 89-554, Sept. 6, 1966, 80 Stat. 385.

5 U.S.C. § 706. Scope of review

To the extent necessary to decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall —

(1) compel agency action unlawfully withheld or unreasonably delayed; and

(2) hold unlawful and set aside agency action, findings, and conclusions found to be —

(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;

(B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law;

(E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or

(F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.